

Message Text

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73

ACTION AF-06

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 INT-05 OES-03

DODE-00 PA-01 PRS-01 /060 W
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R 210950Z JAN 76

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC 0183

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DEPT PASS TO TREASURY

E.O. 11652: N/A

TAGS: EAID, EFIN, BGEN, SL

SUBJECT: EXPANSION OF KING TOM POWER STATION: WORLD BANK UPSTAGED

REF: A 75 STATE 128839 B. 75 FREETOWN 426

1. ON JANUARY 8, GOSL MINISTER POWER & ENERGY GANDI-CAPIO SIGNED AGREEMENT TO PURCHASE A FOURTH GENERATOR FOR KING TOM POWER STATION FROM A SWISS FIRM (SUIZER). SUIZER REPORTEDLY HAS SOLD GENERATING UNITS TO CHAD AND LIBERIA. SUIZER APPARENTLY LOWEST BIDDER ON WORLD BANK TENDER LAST YEAR (REFTEL B). WITH THE ENCOURAGEMENT OF A WORLD BANK CONSULTANT, GANDI-CAPIO PROCEEDED TO SIGN CONTRACT ON ASSUMPTION THAT ONCE WORLD BANK SIGNED POWER LOAN AGREEMENT WITH GOSL BANK WOULD ASSUME LOAN RESPONSIBILITY. UNTIL THAT TIME, PRIVATE SWISS BANK FINANCING INDICATED.

2. TIMING GOSL ACTION PARTICULARLY BAD. AT SAME TIME AS LOAN WAS SIGNED, WORLD BANK REPRESENTATIVE (DUTT) WAS TELLING GOSL THAT, BECAUSE OF GOSL FISCAL
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IRRESPONSIBILITY, BANK WOULD WITHHOLD FUTURE LOANS

(INCLUDING NOW PENDING POWER LOAN FOR KINGTOM GENERATOR AND OTHER ITEMS). THIS INFORMATION WAS WELL KNOWN TO ECONOMIC AND HIGHER POLICY OFFICIALS OF GOSL BUT THEY HAD NOT COMMUNICATED CHANGED WORLD BANK STANCE TO GANDI-CAPIO.

4. UNCLEAR WHETHR BANK WOULD NOW BE WILLING TO ASSUME GOSL LOAN IF GOSL MODIFIED ITS FINANCIAL BEHAVIOR. IF NOT, GOSL HAS JUST SADDLED ITSELF WITH ONE MORE \$11 MILLION SUPPLIER CREDIT AND ITS BAD FINANCIAL SITUATION BECOMES WORSE.
SAMUELS

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